

## REMARKS

Applicant proposes entry of the attached substitute specification.

No new matter is presented.


The specific changes made are shown on the clean copy in which the changes to have been entered. The paragraph numbers have been added to the specification.

Should the Examiner require of consider it advisable that the specification, claims, abstract or drawings be further amended or corrected in formal respects in order to place this case in condition for final allowance, please so inform applicant who invites notice by telephone in order to accomplish corrections within the terms allotted.

The Assistant Commissioner for Patents is hereby authorized to charge any additional fees or credit any excess payment that may be associated with this communication to deposit account **50-2061**.

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A FINANCIAL SYSTEM THAT PROVIDES INVESTMENT FUNDS  
AND A DEATH BENEFIT

This application claims the benefit of U.S. Provisional  
Application No.60/423,799, filed November 5, 2002 under 35  
U.S.C. sctn. 119(e)(1).

Field of the Invention

This invention relates to business methods and  
systems, including such business methods and or systems  
implemented with the aid of computers.

Background of the Invention

An annuity is a contract between an annuitant and  
an insurance company, in which the annuitant pays the  
insurer a specified amount of money and receives, in  
return, regular payments for a stated period of time, which  
period of time may be the life of the annuitant. The  
specified payment is made at the time that the annuity  
contract is entered into, and the insurance company invests  
the money paid. At a future time, the annuitant receives  
the benefit of the money invested in a stream of payments  
which corresponds to the growth of the investment.

There are two basic types of annuities: fixed and

variable. In fixed annuities, the annuity stream is a fixed amount in accordance with a payment schedule. In a variable annuity, premiums may be invested in a variety of financial instruments, ranging from individual stocks and mutual funds to real estate and certificates of deposit. Thus, the annuitant's return will fluctuate in a variable annuity, depending upon the market and the success of the portfolio.

Because of the hybrid nature of variable annuities, which often combine some insurance-like assumptions of risk by the insurer, with securities-like assumption of risk on the part of the contract owner, the United States Supreme Court ruled in SEC v. Variable Annuity Life Ins. Co., 359 U.S. 65 (1959), SEC v. United Benefit Life Insurance Co., 387 U.S. 202 (1967) that variable annuities are both insurance contracts and securities, subject to both state insurance regulation and federal securities regulation.

A mutual fund is an open-ended fund operated by an investment company, which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives. Benefits to the shareholder include diversification and professional money management.

Shares are issued and redeemed on demand, based on the fund's net asset value, which is determined at the end of each trading period or session. Mutual funds are federally regulated securities, with markets risk entirely assumed by the investor.

Hybrids of insurance contracts and mutual funds have been developed. They are sold in a two-step process in

which the end consumer purchased a share of an underlying mutual fund (federal security) and simultaneously, but as a separate transaction, becomes a participant in a group insurance policy. The participation in the mutual fund by purchase of shares allows the investor to fully participate in the market movement of the underlying fund. The group insurance contract typically states that the policyholder will receive a benefit only if, at the time of death, the value of the mutual fund share is less than the original purchase price. The hybrid process is both cumbersome for the investor and expensive to administer for the distributor, as it requires the simultaneous sale of two contracts regulated by different agencies (federal securities and state insurance). This mandates an added level of expense for the issuer, a layer of regulation for the distributor and transactional complexity for the consumer.

#### Summary of the Invention

20 A data processing method and system according to an aspect of the invention manages a financial services configuration, which includes a legal entity such as a trust, a contractual relationship or a corporate entity that provides for beneficial ownership so as to achieve the benefits of ownership in the underlying entity, whereby the entity invests funds, that inure to the benefit of the beneficiary during the beneficiaries lifetime and upon

death to the beneficiaries estate. A corporation may serve as one form of legal entity that fulfills the requirement set forth whereby it issues two series of stock comprised of voting rights and beneficial rights respectively. The  
5 second series provides each stock holder investment control over allocations of one or more of a plurality of funds within one or more separate accounts.

10 The data processing system for managing the financial services configuration comprising one or more financial sub accounts established by a legal entity issuing instruments evidencing ownership having a beneficial right in the legal entity wherein an owner of a beneficial right has investment control of allocations over one or more selected  
15 funds within one or more segregated financial accounts, said accounts managed by software operative to control a first means for initializing a storage means that partitions data concerning the legal entity, the investors and investment funds and a second means to retrieve  
20 investment funds information from the storage means into separate files regarding one or more investment funds and for calculating incremental increases or decreases in the value of the investment funds based upon market performance whereby the second means allocates the results of the  
25 calculation of increases and decreases in the value of the investment funds and a third means for calculating the incremental income, expenses, and net realized gain or loss for the one or more plurality of investment funds on an

aggregate basis and for allocating the results on a percentage basis in respect of the investor's selected funds and for distributing and storing the increment or decrement in fund assets in the financial sub accounts.

5 |       The data processing system also retrieves fund  
information and calculates that information on an  
individual and aggregate basis to display to the investor  
their current value of their portfolio and provide the  
means to calculate the amount due in respect to a death  
10 benefit or a living benefit.

|       In general, the second series of stock creates  
beneficial rights in a financial product. Moreover, each  
holder of a beneficial right has investment control over  
allocations of a plurality of funds within one or more  
15 separate financial accounts. The separate accounts  
represent the financial component of one or more financial  
products that combine the benefits of a family of funds  
with the protection element that assure the beneficiaries  
either: (i) the highest of the account value at time of  
20 liquidation, (ii) original contract price plus subsequent  
deposits adjusted for redemptions, or (iii) the maximum  
contract value on a stipulated date during the period of  
time the instrument underlying ownership in the account is  
held by the investor. An advantage of the method and system  
25 according to this aspect of the invention allows the simple  
sale of the financial product, where it might otherwise be  
cumbersome depending on a patchwork of tax, securities and  
insurance laws.

The method for managing processing a financial service comprising the steps of: creating one or more sub accounts such as a segregated financial account by issuing instruments evidencing ownership having a beneficial right in a legal entity wherein an owner of a beneficial right exercises investment control of allocations over one or more selected funds within one or more segregated financial accounts, utilizing a computer system, including the steps of: initializing a storage means that partitions data concerning the legal entity, the investors and investment funds; retrieving investment funds information from the storage means into separate files regarding one or more investment funds; and calculating incremental increases or decreases in the value of the investment funds based upon market performance; allocating the results of the calculation of increases and decreases in the value of the investment funds; calculating the incremental income, expenses, and net realized gain or loss for the one or more plurality of investment funds on an aggregate basis; and allocating the results on a percentage basis in respect of the investor's selected funds; and distributing and storing the increment or decrement in fund assets in a segregated financial account.

Brief Description of the Drawing

FIG. 1a illustrates a conventional data processing

system suited to perform the financial management function.

FIG. 1b illustrates a data processing system that embodies one aspect of the present invention.

5 | FIG. 1c Illustrates a Flow chart of an exemplary process of one aspect of the present invention.

FIG. 2a illustrates a segregated account company and associated accounts.

10 | FIG. 2b illustrates an exemplary corporate structure showing the connection among the segregated account company and its infrastructure.

FIG. 2c illustrates an exemplary structure showing access and fulfillment of ancillary services

15 | FIG. 3 illustrates a flow chart of new investment contribution flow for processing an investment in accordance with an aspect of the invention.

FIG. 4 illustrates a flow chart of an exemplary process for subsequent contribution flow process in accordance with an aspect of the invention.

20 | FIG. 5 illustrates a flow chart of an exemplary process fund exchange in accordance with an aspect of the invention.

FIG. 6 illustrates a flow chart of an exemplary redemption or liquidation process, over three periods, in accordance with an aspect of the invention.

25 | FIG. 7 illustrates a flow chart of an exemplary



stepped-up death benefit process in accordance with an aspect of the invention, for the case in which the account continues.

FIG. 8 illustrates a flow chart of an exemplary stepped-up death benefit with liquidation process in accordance an aspect of the invention, for the case in which the account is liquidated.

Description of the Invention

In the figures to be discussed the circuits and associated blocks and arrows represent functions of the process according to the present invention which may be implemented as computers, electrical circuits and associated wires or data busses, which transport electrical signals. Alternatively, one or more associated arrows may represent communication (e.g., data flow) between software routines, particularly when the present method or apparatus of the present invention is implemented as a digital process.

The following definitions are used herein.

**Account:** The account set up for each Account Owner or Joint Account Owner under a Segregated Account.

**Account Charges:** Charges that are deductible

from an Account, comprising the Maintenance Fee,  
Administrative Charge, and Contingent Deferred  
Sales Charge.

5 |       **Account Owner:** An investor who is determined  
to be eligible to purchase the Preferred Shares  
in the Segregated Account Company.

10 |       **Account Value:** The value of an Account  
Owner's Preferred Shares is the sum of the  
financial units allocated to the Sub-Account  
corresponding to an underlying fund multiplied by  
the unit value for that Sub-Account, less account  
charges.

15 |       **Administrative Charge:** The annual  
administrative charge applied pro-rata on a  
scheduled basis to each Account.

20 |       **Anniversary Value:** For each anniversary of  
the issue date, the value calculated by adjusting  
the Account Value, by increasing it by the dollar  
amount of any purchase payments made subsequent  
to each anniversary of the issue date, and  
reducing it proportionally by any redemptions  
subsequent to each anniversary of the issue date.  
The proportion is based on the amount of any  
redemption divided by the Account Value at the  
25 | time of the redemption.

**Beneficiary:** The person named by the Account  
Owner to receive a redemption upon the death of

the Account Owner.

**Common Stock Shareholder(s):** Shareholders of the Segregated Account Company's common stock.

**Contingent Deferred Sales Charge:** The deferred sales charge that may apply when the account owner makes a redemption.

**Evidence of Ownership:** Direct or indirect financial benefits of ownership of an underlying investment which may be expressed in instruments such as preferred shares, common Shares, trust receipts, structured notes, debentures, bond, certificate of deposits, investment contracts, performance contracts of funding agreements where an investor has invested funds in order to receive the financial benefit of performance of the underlying assets.

**General Account:** The account holding all of the Segregated Account Company's assets, except for those assets held in Segregated Accounts.

**Initial Purchase:** The amount of money paid to the Segregated Account Company to purchase the Preferred Shares.

**Intermediary:** The distributors with whom the Segregated Account Company has entered into an agreement to sell the Preferred Shares to the Account Owner.

**Issue Date:** The date on which Preferred Shares are issued.

**Legal Entity:** Any corporation issuing stocks, notes, bonds, debentures, investment contracts, investment receipts or other evidence of direct or beneficial ownership in underlying securities or mutual funds, or any trust companies, holding companies, mutual ownership companies (both open and closed end) issuing any Evidence of Ownership.

**Living Benefit:** Where the investor, in return for an additional charge, may elect to receive the greater of the original account value, a stated investment return over a defined period of time or a current account value derived from a pre-determined selection of mutual funds.

**Maximum Anniversary Value:** The highest Anniversary Value prior to the Account Owner's death or upon reaching a designated age.

**Net Asset Value (NAV):** The per share net asset value of each underlying fund. Each underlying fund determines its own NAV.

**Net Investment Factor:** The Net Investment Factor for each Sub-Account equals: The NAV plus applicable distributions per share of each underlying fund held in the Segregated Account at the end of the current valuation day divided by

the Net Asset Value per share of each underlying fund held in the Segregated Account at the end of the prior valuation day, multiplied by the Administrative Charge expressed as a formula.

5

**Peak Redemption:** The amount payable on the death of the Account Owner.

10

**Peak Redemption Value:** The Peak Redemption Value for an Account is equal to the greatest of (i) the Account Value, (ii) the total Purchase Payments reduced proportionately by total redemptions, or (iii) the Maximum Anniversary Value. The implementation of the invention may also substitute by way of example other forms of protection benefit amounts designed to close a shortfall in assets and liabilities.

15

20

**Preferred Shares:** The Preferred Shares which correspond to the beneficial ownership in one or more Segregated Accounts. The implementation of the invention may also substitute by way of example forms of financial instruments such as those evidenced by other types of corporate shares or by structured notes, debentures, bonds, trusts, certificates of deposit, contracts, or agreements.

25

**Segregated Account:** An account established by the Segregated Account Company, which holds

the assets invested by investors. The  
implementation of the invention may also  
substitute by way of example forms of account  
structure such as separate accounts, trustee  
5 accounts, partitioned accounts, continuous cells,  
pledged accounts, or hypothecated accounts.

**Segregated Account Company** A company, which  
holds the assets invested by Account Owners which  
10 is generally not subject to the liabilities  
arising out of any other business of the company  
unrelated to that account and not affected by the  
investment performance of the company's general  
account and credited with income and gains, and  
15 losses, whether or not realized, from the assets  
it holds

**Sub-Account:** The account comprising  
Segregated Accounts, Separate Accounts,  
Partitioned Accounts, Master Trust, Protected  
20 Trusts, Custodial Accounts and Special Purpose  
funding vehicles established under the Segregated  
Account of the Segregated Account Company to hold  
the units, which corresponds to a particular  
underlying investment fund.

25  
The invention herein is in response to both  
distributor and investor interest in a single product

that combines the benefits of a family of mutual funds with certain protection elements. The invention provides a Living Benefit which comprises a beneficiary the option of receiving the greater of the  
5 original account value, a stated floor value of the investment return over a stated period of the current account value at the time of redemption as such value may be derived from a pre-selected group of investment funds. The protection element also can assure the  
10 Beneficiary of the Peak Redemption Value at the time of death. The product uses a Legal Entity such as a trust which issues trust certificates or a company, which issues preferred shares, each with legal protection against general creditors of the legal  
15 entity. The beneficial interests are coupled to a Peak Redemption Value feature that provides ease of sale for the Intermediary, also referred to as a distributor, and a straightforward low cost form of corporate governance when compared to a standard  
20 mutual fund company, an insurance company, or a hybrid company selling mutual funds and insurance contracts.

According to an aspect of the invention, a corporation having Segregated Accounts issues ordinary or common shares and preferred shares. However, in one  
25 embodiment, all Preferred Shares, regardless of class, convey the same rights, including rights as to redemptions. Other classes of shares may be issued with other benefits or restrictions.

The monies received by the Segregated Account Company from the purchase of the Preferred Shares, net of sales charges, if any, are deposited in a Segregated Account of the Segregated Account Company and are allocated to an account established in the name of the Account Owner. Thereafter, the assets allocated to the Account Owner are invested through the Segregated Account in units of Sub-Accounts of the Segregated Account, each of which corresponds to an underlying mutual fund. The Segregated Account assets in accordance with the instructions of the Account Owners will be invested in each Sub-Account corresponding to the underlying fund in accordance with the selected investment control allocations of the Account Owner. The net income and net profits attributable to the units within the fund is generally reflected in the respective NAV of the Funds.



The Segregated Account Company will effect transactions in shares of the underlying funds on a pooled basis through the Segregated Account for all Account Owners in order to facilitate administrative efficiencies and  
5 reduce costs. The mutual fund shares purchased on behalf of a Sub-Account investing in such underlying funds will be held in the Segregated Account. All rights and interests in the underlying funds will be vested in the Segregated Account on behalf of the Account Owners. The Account Owner  
10 will receive units of a particular Sub-Account, which will reflect a bookkeeping entry indicating the value of the Account Owner's stake in the corporation. Assets held in the Segregated Account will not be subject to claims of creditors of the Segregated Account Company with claims  
15 unrelated to the Segregated Account.

The system that carries out an aspect of the invention utilizes a data processing system for managing the Legal Entity, the investments and the specialized financial transactions required in the  
20 issuance of Preferred Shares, and establishment of the Segregated Accounts. Those skilled in the art of computer programming will appreciate that the invention may be implemented in a system of computer units distributed over a wide area network and include  
25 personal computers as well as server computers to carry out the intent of the invention described herein. In Fig. 1a, a computer processor such as a personal computer or a server computer 2 comprises at

least one computer that includes a CPU 6; memory 4 and  
one or more file storage medium 12 for storing data,  
arithmetic logic units 7 for making mathematical  
calculations, a disk, drive 16, disk drive 14 to aid  
5 in the storage of and to store selected data.

Additional means 10 and means 8 are interfaces between  
the computer 2 and external accessories such as a  
monitor 20, keyboard 18, and a printer 22. Additional  
means 8 also represent interfaces between the computer  
10 2 and external accessories such as access to a local  
area networks or other networks of computers (neither  
illustrated), if desired. The CPU 6 both controls and  
is controlled, by other hardware and software stored  
in memory 4 and on a portion of storage medium 12.

15

In referring to Fig.1a in conjunction with Fig.  
1b, the software resident in memory 4 and storage  
medium 12 includes first means 50 for initializing the  
storage means 12a associated with storage medium 12  
20 into separate files that partition data into records  
concerning the Legal Entity, the investors and all  
pertinent information regarding by way of  
representative examples: names, addresses, ages,  
social security numbers, bank references, insurance  
25 related information, medical information, and the  
amounts invested and Account Owners.

In referring to Fig.1b, Fig.1c and Fig.2a a second means 52 comprises the arithmetic logic circuit configured to retrieve information from storage means 12b associated with storage medium 12 into separate files that partition data, calculate incremental increases or decreases in the value of the funds 278 based upon input from external accessories such as local area network computers or other networks of computers, whereby the second means 52 allocates the results of the calculation of 282 increases and decreases in the value of the funds 282 on a percentage basis in respect of the performance of the funds 282, and stores the output in a separate file 12c for processing data regarding assets in each of the funds 282. A third means 54 comprising an arithmetic logic circuit is configured to retrieve information from file 12c; calculate the incremental income, expenses, and net realized gain or loss for the one or more plurality of Sub-accounts 278 funds and allocate the results on a percentage basis in respect of the investors 285 and store the output in a separate file 12d and a fourth means 56 comprising an arithmetic logic circuit configured to retrieve information from file 12d, and to distribute the Sub-Account increment or decrement 278 fund assets and store the output in a separate file 12e as a Segregated Account. File 12f represents one or more files that serve as intermediate storage for the various transactions that the require additional data

such as NAV.

Referring to Fig.2a and Fig.2b, a corporation 210 having a treasury and various accounts 210a issues stock comprised of a first series, typically common stock 270 having voting rights and a second series, without voting rights, typically referred to as Preferred Shares, 272 but having beneficial rights in the corporation 210. Each holder of a beneficial right as may be evidenced by the Preferred Shares 272, has investment control over allocations of one or more Sub-Accounts 278 funds as represented in fund accounts 278 of the corporation, referred to as one or more Segregated Accounts such as separate accounts 276a and 276b. The value of the Preferred Shares 272 is based on the value of underlying Sub-Accounts 278 invested in underlying mutual funds 280. The sub-accounts 278 are held through the corporation 210 segregated accounts, which are not available to satisfy the general obligations of the Legal Entity.

An aspect of the invention also includes the corresponding method of managing a financial services configuration, which includes the Legal Entity such as a trust, a contractual relationship or a corporate entity that provides evidence of ownership so as to achieve the benefits in the underlying Legal Entity, whereby the Legal Entity invests funds, that inure to the benefit of the beneficiary during the beneficiaries lifetime and upon death to the beneficiaries estate. Such a Legal Entity as a

corporation serves as one form of the invention that fulfills the requirement set forth herein.

5 | A financial services configuration of one or more  
separate financial accounts established as a corporation  
issuing stock whereby the method includes issuing shares of  
common stock having voting rights and issuing a second  
series of shares having beneficial rights in the  
corporation, each holder of evidence of ownership  
exercising investment control over allocations of one or  
10 | more funds within one or more separate accounts, and  
processing data pertaining to the separate accounts.

15 | Referring to Fig.1b and Fig.1c, an aspect of the  
invention further includes the method of storing fund data  
282 on a storage medium 126; retrieving fund data 282 from  
a file on storage medium 126, calculating 51a incremental  
increases or decreases based on daily fund performance data  
and calculating 52a NAV for each fund, allocating 54a the  
results on a percentage basis in accordance with the  
investment control over allocations, and storing 56a the  
20 | output in a separate file 12e for processing data regarding  
assets 278 in the one or more separate financial accounts  
276 and for allocating the percentage share that each  
holder of a evidence of ownership holds in the one or more  
funds.

25 | The data processing system also retrieves fund  
information and calculates that information on an

individual and aggregate basis to display to the investor their current value of their portfolio and provide the means to calculate the amount due in respect to a death benefit or a living benefit .

5 | FIG. 2b illustrates an exemplary corporate structure according to an aspect of the invention, showing transactional connection among the Segregated Account Company 210, the intermediary 216 and other participating parties such as fund managers. Intermediary 216 contracts  
10 | with Segregated Account Company 210 to sell Preferred Shares, and also transacts with an investor 212, as indicated by connection 214, to purchase Preferred Shares issued by the Segregated Account Company 210.

15 | A connection line 218 represents the interactions between the intermediary 216 and the Segregated Account Company 210. A management company 220 performs services for the Segregated Account Company 210. A line 222 connecting the Segregated Account Company 210 with the management company 220 represents the transmittal of  
20 | information to the management company 220 relating to the purchase of Preferred Shares. The management company 220 examines the application to purchase Preferred Shares to verify that the application is in good order, and contains all the information needed for processing.

25 | The subsidiary transfer agent 224 receives the approved application for the purchase of Preferred Shares in the Segregated Account Company 210, and issues the

Preferred Shares on behalf of the Segregated Account Company 210. The subsidiary transfer agent 224 also generates confirmations of the purchase, which are sent to the intermediary 216, as suggested by connection line 228, and to the investor 212. In addition to the issuance of Preferred Shares, the management company 220 also makes "book entries" covering the transaction, sets the NAV, and instructs the custodian bank 232 to wire transfer funds 260 as required. In addition, the management company 220 also sends duplicate instructions to the Segregated Account Company 210 by way of a management company 220, as suggested by connection lines 230 and 222.

The funds paid to purchase Preferred Shares in the Segregated Account Company 210 by the intermediary 216 is provided to a Custodian Bank 232. The transfer of the funds as represented by a connection line 234, which may be for example a wire transfer. In addition, the Segregated Account Company 210 instructs a custodian bank 232, as suggested by connection line 236, of aggregated mutual fund allocations selected by the investor 212 who hereafter may alternatively be referred to as an Account Owner, making an initial Preferred Share purchase on that day, together with changes in allocation made on that day by current owners of Preferred Shares. Custodian bank 232 purchases and sells mutual fund shares from among the mutual funds illustrated as blocks designated 238, 240, 242, and 244, so that the aggregate purchases and sales make the allocations among the mutual funds correspond with the selections of the

collective investors, which is to say all those persons who are or have been in the place of investor 212.

According to an aspect of the invention, death of an investor 212 results in the availability to the beneficiaries of the Account Owner 212 account at a value referred to as the Peak Redemption Value. In order to provide liquidity for investors, an agreement, illustrated as a line 246, is entered into between the Segregated Account Company 210 and 248. Under certain economic conditions, the Peak Redemptions value may exceed the current account values. The risk of being required to pay more than the current account value to the beneficiaries of the account owner may optionally be transferred from the Segregated Account Company 210 to an insurer 250, as suggested by connection line 252. The insurer 250 may in turn transfer all or a portion of the risk to one or more reinsurers 254.

A client service 259 provides the Account Owner 212 with access and fulfillment of numerous services as by way of example, travel services, credit lines, and access to health care. Referring to Fig. 2c, an investor 212 invests in Segregated Accounts Company 210 through Intermediary 216. Segregated Accounts Company 210 provides database of customers 234 to Client Services Company 259. Client 212 contacts 292 Client Services Company 259 via telephone when Client 212 wishes to use a service. Client Services Company 259 accesses 295 its computer database 290 to match Client 212 with appropriate service 293. Appropriate client



service 291 is provided 294 to client 212.

The Segregated Accounts Company 210 is a stock company having as its sole purpose the issuance of preferred shares. The underlying funds are self-directed mutual funds. The method for investing as shown in Fig. 3 is initiated by an investor 212 who desires to become an Account Owner 510. On the first trading day of a financial transaction the investor 212 deposits funds with intermediary 512. Intermediary 512 submits an application for the purchase of Preferred Shares on behalf of the investor 212 in the Segregated Account Company 210. The Segregated Account Company 210 in association with the management company 220 determines 516 the prospective Account Owner's 510 eligibility 520 to purchase Preferred Shares. If the investor 212 is eligible for the purchase of Preferred Shares, the application is accepted and instructions to purchase assorted mutual funds in accordance with investor 212, now referred to as the Account Owner 510 instructions, are transmitted 53 through the Segregated Account Company 210 trading agent 271 to transfer agent 261. On the second trade day transfer agent 261 then proceeds to purchase mutual funds through fund managers 262. At this time, the Account Owner 510 is vested in the Preferred Shares of the Segregated Account Company 210.

On a given trade date, the intermediary 512 transfers 231 the Account Owner 510 funds 229 to the custodian bank

233 to cover the purchase order submitted by trading agent  
271 on a given trade date.

On a given trade date, the Segregated Account Company  
210 trading agent 271 communicates to Segregated Accounts  
5 Company 210 banking agent 281, a functionary typically  
provided by management company 220, instructing 232  
custodial bank 233 to wire funds to mutual funds' custodial  
banks 540 on the given trade date.

Fig. 4 illustrates the transaction flow for subsequent  
10 contributions. The Account Owner 510, whose funds are on  
deposit with Intermediary 512, initiates the subsequent  
contribution. Intermediary 512 submits a subsequent  
contribution on behalf of Account Owner 510. The Segregated  
Account Company 210 in association with the management  
15 company 220 determines 516 the prospective Account Owner's  
510 eligibility 520 to purchase Preferred Shares. If the  
Account Owner 510 is eligible for the subsequent purchase  
of Preferred Shares, the form is accepted and instructions  
to purchase assorted mutual funds in accordance with  
20 Account Owner 510 instructions, are transmitted through a  
Segregated Account Company 210 trading agent to transfer  
agent 261. Transfer agent 261 then proceeds to purchase  
mutual funds through fund managers 262. At this time, the  
Account Owner 510 is vested in the Preferred Shares of the  
25 Segregated Account Company 210.

On a given date, the intermediary 512 transfers 231  
the Account Owner's 510 funds to the Custodian Bank 233 to

cover the purchase order submitted by trading agent 271 on the given trade date.

On the given date, the Segregated Account Company 210 trading agent 271 communicates to Segregated Accounts Company 210 banking agent 281 to instruct 232 Custodial Bank 233 to wire funds to mutual funds' custodial banks 540 on a given trade date.

Fig. 5 illustrates the transaction flow for fund exchanges. The Account Owner 510, initiates the fund exchange through the Intermediary 512 who submits a funds exchange request on behalf of Account Owner 510. The Segregated Account Company 210 in association with the management company 220 determines 516 the prospective Account Owner 510 eligibility 520 to exchange funds. If the Account Owner 510 is eligible for the fund exchange, the form is accepted and instructions to exchange assorted mutual funds in accordance with Account Owner 510 instructions, are transmitted through a Segregated Account Company 210 trading agent to transfer agent 261. Transfer agent 261 then proceeds to purchase and sell mutual funds through fund managers 262. At this time, the Account Owner 510 remains vested in the Preferred Shares of the Segregated Account Company 210.

On given date, the Segregated Account Company 210 trading agent 271 communicates to Segregated Accounts Company 210 banking agent 281 to instruct 232 the custodial bank 233 to receive funds from mutual funds' custodial

banks 540 and to wire funds to mutual funds' custodial  
banks 540 on a given date.

On a given date, transfer agents 261 send wire  
instructions to mutual funds' custodial banks 540. On a  
5 given date, and certain "losing" mutual fund's custodial  
banks 540 wire funds to custodial bank 233. Custodial  
bank 233 wires 232 funds to "target" mutual fund's  
custodian bank 262.

The transaction flow for redemption or liquidation of  
10 funds shown in Fig. 6 as initiated by the Account Owner  
510. The Intermediary 512 submits a request for the  
redemption or liquidation of Preferred Shares in the  
Segregated Account Company 210 on behalf of Account Owner.  
The Segregated Account Company 210 in association with the  
15 management company 220 determines the prospective Account  
Owner 510 eligibility to redeem or liquidate Preferred  
Shares. If the Account Owner 510 is eligible for the  
redemption or liquidation of Preferred Shares, the request  
is accepted and instructions to redeem or liquidate  
20 assorted mutual funds in accordance with Account Owner 510  
instructions, are transmitted through a Segregated Account  
Company 210 to transfer agent 261. Transfer agent 261 then  
proceeds to redeem or liquidate the mutual funds through  
fund managers 262. At this time, the Account Owner 510 is  
25 no longer vested in the Preferred Shares of the Segregated  
Account Company 210.

On a given date, the Segregated Account Company 210

trading agent 271 communicates to Segregated Accounts  
Company 210 banking agent 281 to instruct custodial bank  
233 to wire funds received by mutual funds' custodian banks  
540 to Intermediary 512 on a given date.

5 | On a given date 510 the Custodian Bank 233 transfers  
the Account Owner's funds to the Intermediary 512 to cover  
the redemption order submitted by trading agent 271 on a  
given date.

10 | The transaction flow for a beneficiary to file a death  
claim and continue the account, at the stepped-up value is  
shown in Fig 7 as initiated by the beneficiary 590.  
Intermediary 512 submits a death claim form on behalf of  
the beneficiary or the Account Owner 510 estate. The  
Segregated Account Company 210 in association with the  
15 management company 220 determines 516 the new prospective  
Account Owner 510 a eligibility 520 to continue the account  
at the step-up valuation. If the Account Owner 510a is  
eligible for the continuation of the account at a stepped-  
up level, the request is accepted and instructions to  
20 purchase assorted mutual funds in the amount of the  
stepped-up valuation are transmitted through a Segregated  
Account Company 210 trading agent to transfer agent 261.  
Transfer agent 261 then proceeds to purchase assorted  
mutual funds through fund managers 262. At this time, the  
25 beneficiary 590 is the owner in the Preferred Shares of the  
Segregated Account Company 210.

| On a given date, the Segregated Account Company 210

trading agent 271 communicates to Segregated Accounts  
Company 210 banking agent 281 to instruct Custodial Bank  
233 to wire funds to mutual funds' custodial banks 540 on a  
given trade date.

5 |       The death with stepped-up benefit with liquidation  
flow shown in Fig. 8 is initiated by the beneficiary 590.  
Intermediary 512 submits a request for Peak Redemption of  
Preferred Shares in the Segregated Account Company 210 on  
behalf of the beneficiary 590. The Segregated Account  
10 Company 210 in association with the management company 220  
determines 516 the beneficiary 590 eligibility 520 to  
redeem or liquidate Preferred Shares. If the Beneficiary  
590 is eligible for the Peak Redemption of Preferred  
Shares, the request is accepted and instructions to redeem  
15 assorted mutual funds in accordance with Beneficiary 590  
instructions, are transmitted through a Segregated Account  
Company 210 trading agent to transfer agent 261. Transfer  
agent 261 then proceeds to redeem mutual funds through fund  
managers 262. At this time, the Beneficiary 590 is not  
20 vested in the Preferred Shares of the Segregated Account  
Company 210.

|       On a given trade, the mutual funds' custodial banks  
540 transfers the fund manager funds to the Custodian Bank  
233 to cover the redemption order submitted by trading  
25 agent 271 on the given trade date.

|       On a given trade date, the Segregated Account Company  
210 trading agent 271 communicates to Segregated Accounts

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Company 210 banking agent 281 to instruct Custodial Bank  
233 to wire funds to Intermediary 512.

Although the present invention has been described and  
5 illustrated in detail, it is clearly understood that the  
same is by way of illustration and example only and is not  
to be taken by way of limitation, the spirit and scope of  
the present invention being limited only by the terms of  
the appended claims.

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INVENTOR: James Mallozzi et al

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Abstract of the Disclosure

A method and system is disclosed for managing funds within separate accounts. The invention permits a distributor to market and an investor to purchase a single product that combines the benefits of a family of funds with the protection element of a death benefit. To create the product, a legal entity issues an instrument typically stock comprised of a common stock and a preference stock having beneficial rights. The holder of a beneficial right controls the investment allocations over funds within separate accounts. The value of the preferred shares will be based on the value of underlying shares invested in separate account funds. The separate accounts are not available to satisfy the company's general or common stock obligations.

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